

**GCSE**  
**ECONOMICS**

**J320**

Unit A591: *How the Market Works*

**Specimen Paper**

Candidates answer on the computer.

**Additional materials:**

Time: 1 hour

## INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided in the Answer Booklet.
- Read each answer carefully and make sure you know what you have to do before starting your answer.
- Answer **all** the questions.

## INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 60.

This document consists of **3** printed pages.

**[Turn over**

SPECIMEN

Answer **all** questions.

Fig. 1

Pops Ltd is a company which specialises in making jelly bean sweets. Mr Singh started Pops Ltd ten years ago. The factory in Nottingham is on a large industrial estate. Pops Ltd employs a large number of people who live on a nearby housing estate. The people Pops Ltd employ are skilled and specialise in one part of the production process. Pops Ltd also uses a lot of capital in producing its jelly beans on a production line.

1 Pops Ltd uses factors of production. Select **two** factors of production from the list below.

- Capital
- Customers
- Housing Estate
- Jelly beans
- Labour
- Specialisation

[2]

2

(a) Explain what is meant by opportunity cost?

[2]

(b) A customer spends £1 on jelly beans. Explain **one** example of the opportunity cost to the customer of buying jelly beans.

[2]

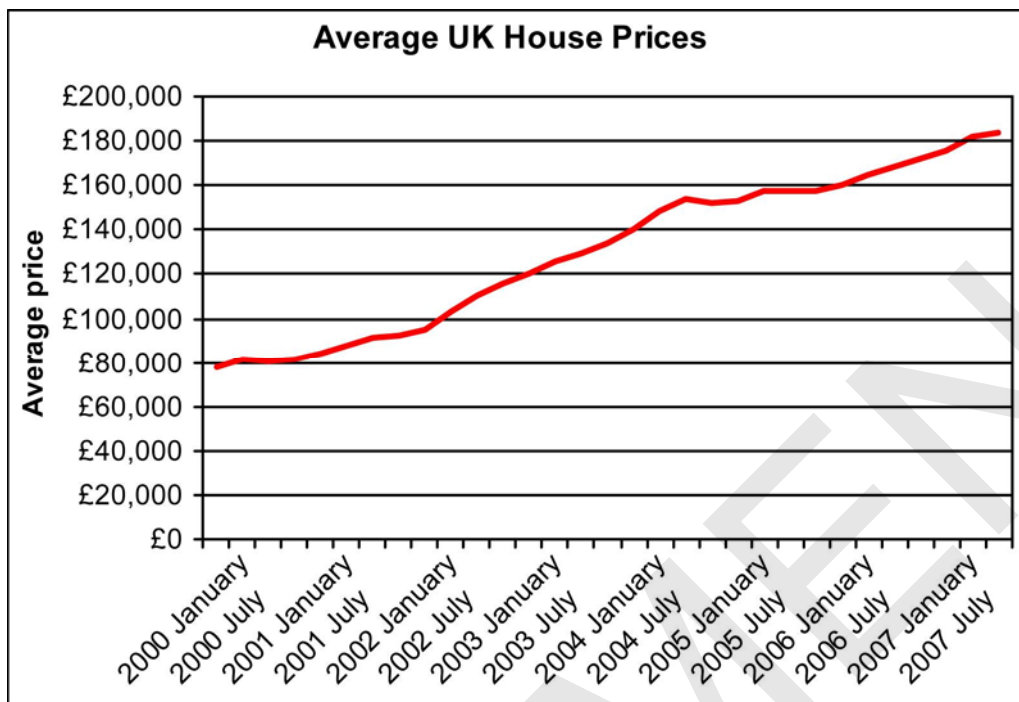
3 Using an example from Fig. 1 explain what is meant by specialisation.

[6]

4 Mr Singh believes that the benefits of specialisation for Pops Ltd are greater than the costs. Do you agree? Give reasons for your answer.

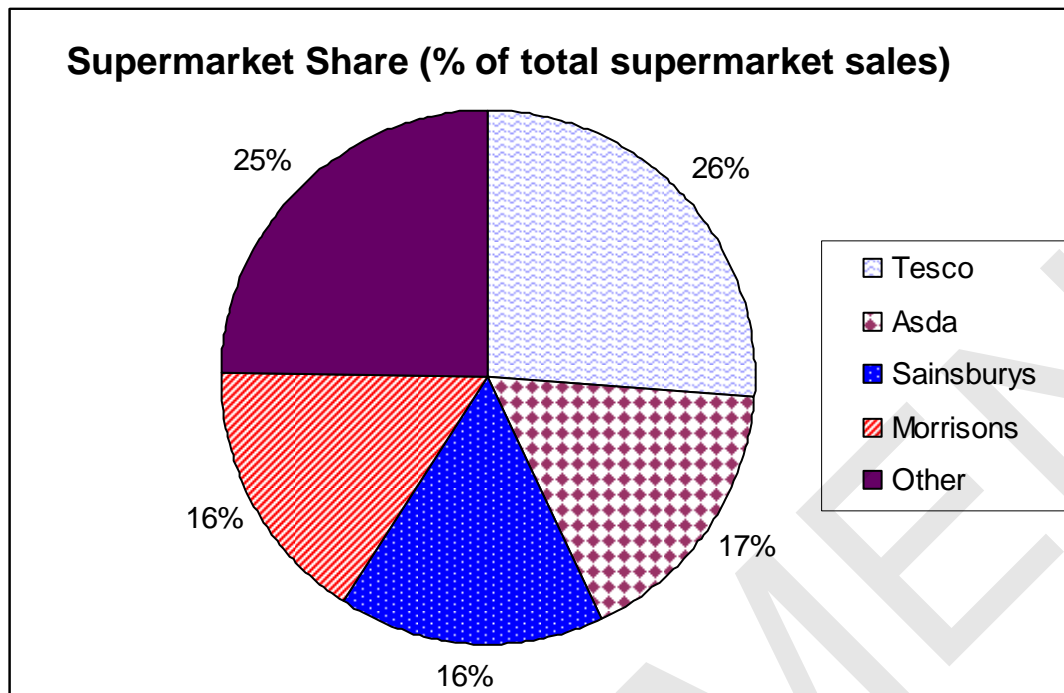
[8]

Fig. 2



- 5 Using Fig. 2 describe what has happened to average UK house prices between January 2000 and July 2007. [2]
- 6
- (a) The diagram above shows the demand for and supply of new houses. On the diagram draw and label a new curve to show the effect on the market for new houses of a fall in the price of bricks. [2]
- (b) State what happens to:
- the market price
- the quantity sold [2]
- 7 The government is considering giving a subsidy to house builders. Explain what is meant by a subsidy? [2]
- 8 Explain **two** benefits to the housing market of giving a subsidy to house builders. [4]
- 9 Discuss the factors which may have caused the rise in demand for housing in the UK between 2000 and 2007. [8]

Fig. 3



10

- (a) Which supermarket has the largest market share? [1]
- (b) What is the total percentage market share of the four largest supermarkets. [2]

11

- (a) Explain what is meant by economies of scale? [2]
- (b) Name **one** type of economy of scale. [1]

12 Explain the **advantages** and **disadvantages** to a firm such as Tesco operating on a large scale. [6]

13 Do consumers benefit from competitive markets? Give reasons for your answer. You may refer to the food retailing market, or any other market with which you are familiar, in your answer. [8]

**Paper Total [60]**

SPECIMEN

The maximum mark for this paper is [60].

SPECIMEN

| Question Number | Answer  | Max Mark |
|-----------------|---|----------|
| 1               | <p><b>Pops Ltd uses factors of production. Select two factors of production from the list below.</b></p> <ul style="list-style-type: none"> <li>• Capital</li> <li>• Customers</li> <li>• Housing Estate</li> <li>• Jelly beans</li> <li>• Labour</li> <li>• Specialisation</li> </ul> <p><b>One mark</b> for each of two correct identifications<br/>Labour, Capital.</p>  | [2]      |
| 2(a)            | <p><b>Explain what is meant by opportunity cost?</b><br/>Up to two marks.<br/><b>2 marks</b> for clear explanation, e.g. next best alternative which is given up.</p> <p><b>1 mark</b> for some understanding shown e.g. choices being made, next best alternative.</p>   | [2]      |
| 2(b)            | <p><b>A customer spends £1 on jelly beans. Explain one example of the opportunity cost to the customer of buying jelly beans.</b><br/>Up to two marks.<br/>The opportunity cost of spending £1 on jelly beans is spending £1 on other sweets or buying a magazine [2 marks].<br/><b>2 marks</b> for explaining the idea of one option in terms off another being given up.</p> <p><b>1 mark</b> for some understanding. Maximum of 1 mark for no application to Pops Ltd.</p> | [2]      |
| 3               | <p><b>Using an example from Fig. 1 explain what is meant by specialisation.</b><br/><b>Level 3</b><br/><b>5-6 marks</b><br/>Candidate explains fully the meaning of specialisation with application to Pops Ltd.</p>  |          |

| Question Number | Answer   | Max Mark |
|-----------------|--|----------|
| 3 Cont'd        | <p><b>Level 2</b><br/><b>3-4 marks</b><br/>Candidate briefly describes the meaning of specialisation with application to Pops Ltd.</p> <p><b>Level 1</b><br/><b>1-2 marks</b><br/>Candidate briefly describes the meaning of specialisation. No application to Pops Ltd is shown.</p> <p><b>Indicative content</b><br/>Specialisation is where a country/region/firm produces a narrow/particular or specific range of products rather than everything. Pops Ltd have specialised workers. One worker may package the jelly beans, another may add the colouring and another may control the quality.</p>  | [6]      |
| 4               | <p><b>Mr Singh believes that the benefits of specialisation for Pops Ltd are greater than the costs. Do you agree? Give reasons for your answer.</b></p> <p><b>Level 4</b><br/><b>7-8 marks</b><br/>Candidate discusses the advantages and disadvantages of specialisation. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be a few, if any, errors of spelling, punctuation and grammar.</p> <p><b>Level 3</b><br/><b>5-6 marks</b><br/>Candidate analyses advantages or disadvantages of specialisation. Relatively straightforward ideas have been expressed with some clarity and fluency. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p><b>Level 2</b><br/><b>3-4 marks</b><br/>Candidate applies knowledge and critical understanding of specialisation. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> |          |

| Question Number | Answer  | Max Mark    |
|-----------------|---|-------------|
| 4 cont'd        | <p><b>Level 1</b><br/><b>1-2 marks</b></p> <p>Candidate demonstrates basic knowledge and understanding of advantages or disadvantages of specialisation. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar will be noticeable and intrusive.</p> <p><b>Indicative content</b></p> <p>Advantages – increases in productivity, higher quality products, workers become more expert at their job, lowering of average costs, increase in sales/profit.</p> <p>Disadvantages – workers may become bored, high cost of training workers.</p> | [8]         |
|                 | <b>Question 1 Total</b>   | <b>[20]</b> |

| Question Number | Answer   | Max Mark |
|-----------------|--|----------|
| 5               | <p><b>Using Fig. 2 describe what has happened to average UK house prices between January 2000 and July 2007.</b></p> <p>Up to two marks</p> <p>Average house prices have risen (1), from approximately £80,00 on 2000 (1) to £180,000 in 2007 (1), a £100,000 increase in 7 years (1), it has been a steady increase throughout the period (1). Maximum of 2 marks.</p>  | [2]      |
| 6(a)            | <p><b>The diagram above shows the demand for and supply of new houses. On the diagram draw and label a new curve to show the effect on the market for new houses of a fall in the price of bricks.</b></p> <p>One mark for each of two correct identifications</p> <p><b>1 mark</b> – shift of correct curve (supply)</p> <p><b>1 mark</b> – correct direction of shift (leftward shift).</p>  | [2]      |
| 6(b)            | <p><b>State what happens to:</b></p> <p><b>the market price</b></p> <p><b>the quantity sold</b></p> <p>One mark for each of two correct identifications</p> <p><b>1 mark</b> – Market price – falls</p> <p><b>1 mark</b> – Quantity sold – rises</p> <p>Own figure applies</p>   | [2]      |
| 7               | <p><b>The government is considering giving a subsidy to house builders. Explain what is meant by a subsidy?</b></p> <p>Up to two marks</p> <p>A subsidy is a sum of money given to a firm by the government [2 marks].</p> <p>A candidate who shows some idea [1 mark]. No marks for explaining why a subsidy is given.</p>  | [2]      |
| 8               | <p><b>Explain two benefits to the housing market of giving a subsidy to house builders.</b></p> <p>One mark for each correct benefit identified up to a maximum of two benefits, plus a further one mark for each of two explanations.</p> <p>Lower prices (bring down already high prices), increase supply; make housing more affordable for first time buyers. Meet government targets in terms of development.</p> <p>1 mark for idea and mark for developing.</p> | [4]      |

| Question Number  | Answer  | Max Mark |
|------------------|---|----------|
| 9                | <p><b>Discuss the factors which may have caused the rise in demand for housing in the UK between 2000 and 2007.</b></p> <p><b>Level 4</b><br/><b>7-8 marks</b></p> <p>Candidate discusses the factors which cause the demand curve to shift. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be a few, if any, errors of spelling, punctuation and grammar.</p> <p><b>Level 3</b><br/><b>5-6 marks</b></p> <p>Candidate analyses of the factors which cause the demand curve to shift. Relatively straightforward ideas have been expressed with some clarity and fluency. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p><b>Level 2</b><br/><b>3-4 marks</b></p> <p>Candidate applies knowledge and critical understanding of factors which cause the demand curve to shift. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p><b>Level 1</b><br/><b>1-2 marks</b></p> <p>Candidate demonstrates basic knowledge and understanding of factors which cause the demand curve to shift. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar will be noticeable and intrusive.</p> <p><b>Indicative content</b></p> <p>Factors to be considered – increases in average incomes, lowering of interest rates, tastes and fashions changing, increase in the price of rent (substitutes), increase in population and demographics such as more divorces.</p> | [8]      |
| Question 2 Total |   | [20]     |

| Question Number | Answer  | Max Mark |
|-----------------|---|----------|
| 10(a)           | <p><b>Which supermarket has the largest market share?</b><br/>For one mark<br/>Tesco</p>  | [1]      |
| 10(b)           | <p><b>What is the total percentage market share of the four largest supermarkets.</b><br/>For one mark<br/>75% [2 marks]. If % not given only one mark. Correct working but incorrect answer 1 mark.</p>  | [2]      |
| 11(a)           | <p><b>Explain what is meant by economies of scale?</b><br/>Up to two marks<br/>Candidates may state that it is where as a result of an increase in size there is a fall in the cost per unit of output/average cost. This is worth 2 marks. To gain 2 marks the idea of lowering average costs must be shown.<br/>If they have a basic idea 1 mark.<br/>A list of economies of scale or an example alone is worth zero.</p>   | [2]      |
| 11(b)           | <p><b>Name one type of economy of scale.</b><br/>For one mark<br/>Risk bearing, financial, technical, marketing, managerial, purchasing. [1 mark maximum]</p>   | [1]      |
| 12              | <p><b>Explain the advantages and disadvantages to a firm like Tesco operating on a large scale.</b></p> <p><b>Level 2</b><br/><b>4-6 marks</b><br/>Candidate explains/analyses advantages and/or disadvantages to a firm such as Tesco of operating on a large scale.<br/>Both explained will be at the top of the level.</p> <p><b>Level 1</b><br/><b>1-3 marks</b><br/>Candidate identifies/lists the advantages and/or disadvantages to a firm such as Tesco of operating on a large scale.<br/>No depth is given, possibly just a list or statements.</p> |          |

| Question Number                    | Answer   | Max Mark          |
|------------------------------------|--|-------------------|
| <p><b>12</b><br/><b>Cont'd</b></p> | <p><b>Indicative content</b></p> <p>Advantages – economies of scale, higher profit, ability to control the market and so increase price, more well known.</p> <p>Disadvantages – diseconomies of scale may occur; lack of motivation of workers, more difficult to control workers, loss of communication and cooperation, may become complacent.</p>  | <p><b>[6]</b></p> |
| <p><b>13</b></p>                   | <p><b>Do consumers benefit from competitive markets? Give reasons for your answer. You may refer to the food retailing market, or any other market with which you are familiar, in your answer.</b></p> <p><b>Level 4</b><br/><b>7-8 marks</b></p> <p>Candidate discusses the advantages and disadvantages of competitive markets. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be a few, if any, errors of spelling, punctuation and grammar.</p> <p><b>Level 3</b><br/><b>5-6 marks</b></p> <p>Candidate analyses the advantages or disadvantages of competitive markets. Relatively straightforward ideas have been expressed with some clarity and fluency. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p><b>Level 2</b><br/><b>3-4 marks</b></p> <p>Candidate applies knowledge and critical understanding of competitive markets. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p><b>Level 1</b><br/><b>1-2 marks</b></p> <p>Candidate demonstrates basic knowledge and understanding of competitive markets. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar will be noticeable and intrusive.</p> |                   |

| Question Number | Answer   | Max Mark    |
|-----------------|--|-------------|
| 13<br>cont'd    | <b>Indicative content</b><br>Candidates can refer to any argument which is relevant to the stated market; such as price competition, and non-price competition: variety and choice on offer within the stores, quality of products sold, quality of the service provided, opening times, location of stores etc. | [8]         |
|                 | <b>Question 3 Total</b>  | <b>[20]</b> |
|                 | <b>Paper Total</b>   | <b>[60]</b> |

## Assessment Objectives Grid (includes QWC)

| Question      | AO1       | AO2       | AO3       | Total     |
|---------------|-----------|-----------|-----------|-----------|
| 1             | 2         |           |           | 2         |
| 2(a)          | 2         |           |           | 2         |
| 2(b)          |           | 2         |           | 2         |
| 3             | 2         | 2         | 2         | 6         |
| 4             | 2         | 2         | 4         | 8         |
| 5             |           | 2         |           | 2         |
| 6(a)          | 1         | 1         |           | 2         |
| 6(b)          |           | 2         |           | 2         |
| 7             | 2         |           |           | 2         |
| 8             | 2         | 2         |           | 4         |
| 9             | 2         | 2         | 4         | 8         |
| 10(a)         |           | 1         |           | 2         |
| 10(b)         |           | 2         |           | 2         |
| 11(a)         | 2         |           |           | 2         |
| 11(b)         | 1         |           |           | 1         |
| 12            | 2         | 2         | 2         | 6         |
| 13            | 2         | 2         | 4         | 8         |
| <b>Totals</b> | <b>22</b> | <b>22</b> | <b>16</b> | <b>60</b> |